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IN THE

United States Supreme Court

October Term, 1949

No. 455

AUTOMATIC RADIO MANUFACTURING COMPANY, INC.,

Petitioner,

vs.

HAZELTINE RESEARCH, INC.,

Respondent.

REPLY BRIEF FOR PETITIONER.

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Throughout its brief Hazeltine flatly asserts that Automatic Radio is using 10 of its patents. At some places Hazeltine further asserts that this "is not denied" (*e. g.*, p. 7); and at some places goes so far as to assert that it is "admitted" (*e. g.*, pp. 27, 69).

These statements are all incorrect. In paragraph 9 of its answer, at R. 46, Automatic makes the flat assertion:

> "9. That from the effective date of said agreement, to wit: September 1, 1942, to the date of the complaint herein, it has not made or sold radio apparatus of any type whatsoever covered by the claims of plaintiff's patents * * *."

At places Hazeltine supports these numerous incorrect statements by reference to its answers to interrogatories at R. 50-52 (*e. g.*, pp. 7, 34). Hazeltine there answered Interrogatory No. 2 (R. 48), asking which of Automatic's

sets "are *claimed by plaintiff* to embody" its patents. Hazeltine's answer, at R. 51-52, is to list ten patents. The fact that Automatic has not denied that Hazeltine *claims* 10 of its patents to be used, is thus converted by Hazeltine into an "admission" that those patents *are* used, despite Automatic's flat denial in its answer.

This is of importance because this case was decided below on summary judgment with affidavits only. Since there is a dispute of fact as to whether any of Hazeltine's patents is used by Automatic, there can be no proper judgment against Automatic unless it be accepted as a fact that none of Hazeltine's patents is used, and held in law that this is immaterial (Rule 56(e) F. R. C. P.).

The importance which Hazeltine attaches to its assertions that its patents are used by Automatic is indicated not only by the numerous reiterations, but by its position with respect to apparatus sold by its licensees which use none of its patents.

To understand that position let us consider a specific example.

Let us assume that a restaurant proprietor orders from a Hazeltine licensee a radio for use in his restaurant. Let us further assume that the receivers being made by that licensee use no Hazeltine patents (although this might be unknown to the licensee, since to find it out "might well involve engineering and accounting costs in excess of the royalties due"—Hazeltine's brief, p. 7). The licensee, realizing that he is licensed to sell radios "only for use in homes", and that this sale will therefore be outside the scope of his license, removes the Hazeltine patent marking notice, including the restrictive use notice and sells the receiver to the restaurant proprietor, who proceeds to use it in his restaurant.

This is therefore a sale in the commercial field, by a "home" licensee of apparatus not using any Hazeltine patent.

This is the status of that sale as stated by Hazeltine on page 10 of its brief:

> "If a 'home' licensee, such as Petitioner, chooses to sell outside of his license in the 'commercial' field without taking an additional license, he may do so, in common with all other non-licensees in this field, solely at the risk of infringement of applicable patents—not at the risk of breach of contract with Hazeltine."

Since the licensee is said to be risking infringement of Hazeltine patents, we assume this means that he is *not* obligated to pay Hazeltine any royalties.

We agree with that interpretation.

That is the exact position which Automatic Radio finds itself in in this case as to its entire production. It has not used any Hazeltine patents and it has not marked any Hazeltine patents on any of its sets (R. 177(c), (d)). Its production has therefore all been "commercial" apparatus. There is no other difference between a "home" radio (for use in a home) and a "commercial" radio (for use in a restaurant) other than that the former is marked "only for use in homes". The apparatus itself is identical. Yet Hazeltine here asserts royalties *are* due.

The Court below held royalties are due on such apparatus, and expressly so held in that portion of its opinion quoted on page 26 of Hazeltine's brief. The Court there said:

> "But as we read the license agreement in the case at bar, Automatic would not break the agreement by manufacturing and selling for unrestricted use radio

> apparatus which in fact does not embody any of the inventions covered by Hazeltine's patents. This is true notwithstanding the fact that Automatic, in making such a sale, would be required by Article IV, Section 1, of the agreement to pay Hazeltine the stipulated percentage of the selling price as royalty for the *right* to utilize the patents covered by the license agreement."

Thus the Court below held that Automatic would not break the agreement by selling commercial apparatus, but *must* pay royalties to Hazeltine on that apparatus even though it does *not* use any Hazeltine patent.

Hazeltine asserts Automatic would not break the agreement by selling commercial apparatus, but need *not* pay royalties to Hazeltine even though it *uses* Hazeltine's patents in such apparatus—yet it here demands royalties.

To confuse the situation more, Hazeltine asserts on page 50 of its brief that apparatus which does not use its patents is not "licensed apparatus" and need not carry the license notice, but on page 49 asserts that this apparatus must nevertheless pay royalties—a position at least consistent with its demand for royalties here.

On page 4 of its brief Hazeltine attempts to bolster its tottering patent position by the boast that Radio Corporation of America is one of its licensees. This is readily explained by the fact that Hazeltine grants licenses under the Atwater Kent patents, which are owned by RCA (R. 31-32, 37-38, 255).

On page 4, in a lengthy footnote, Hazeltine presents glowing biographies of Professor Alan Hazeltine and Mr. Harold A. Wheeler, whom it mentions as "among Hazel-

tine's principal contributors to the progress of the radio and television art". The footnote does not mention any contribution of Professor Hazeltine other than the Neutrodyne receiver, nor does the record indicate whether he remained associated with the company. Mr. Wheeler has an affidavit in the record from which it appears (R. 119) that he has no connection with Hazeltine.

At pages 40, 50, 52 and elsewhere in its brief Hazeltine refers to its waiver of the restrictive marking notice. This is supported by the Binns affidavit in Appendix 2 to its brief on page 78. It is to be noted from that affidavit that on September 5, 1945, Hazeltine waived the restrictive use notice until January 1, 1946 (R. 79). The licenses issued by Hazeltine since that time have all required the restrictive use notice (R. 80). Although Hazeltine has unilaterally and revocably waived such notice from time to time, Hazeltine has kept itself in a position so that immediately upon the decision of this case it may if it desires (and this Court permits), require the universal use of the restrictive use notices by its licensees.

Respectfully submitted,

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New York, New York, April 4, 1950.